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S E C R E T SECTION 01 OF 02 BAGHDAD 002935

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STATE FOR INL/C/CP, INL/I, NEA/I AND S/I

E.O. 12958: DECL: 09/11/2018  
TAGS: [STATE FOR INL CP INL NEA AND](#)  
SUBJECT: FORMER TRADE MINISTRY DIRECTOR GENERAL DETAILS  
RAMPANT CORRUPTION

REF: BAGHDAD 002122

Classified By: Anti-Corruption Coordinator Lawrence Benedict for reasons 1.4(b) and (d).

11. (S) SUMMARY: A Director General with 34 years of experience at the Ministry of Trade detailed to us September 7 allegations of widespread corruption within the Ministry of Trade including complicity by the Minister and the Deputy Inspector General. He also described some of the schemes used to siphon off up to 70 percent of the value of contracts for wheat, tea, and rice. While we cannot substantiate his allegations at this time, the DG's reluctance to approach the Commission of Integrity and his accusations against those within his ministry responsible for promoting transparency and accountability underscore the dearth of confidence Iraqi whistleblowers have in their own institutions to combat corruption. END SUMMARY.

DG DETAILS IMPORT SCAMS  
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12. (S) Assam Muhammad Hassan (strictly protect), who was until two weeks ago the Director General for Financial and Commercial Affairs at the Ministry of Trade with 34 years of auditing experience, described to us in a September 7 meeting the rampant corruption he had uncovered at the ministry. Hassan told us he had received death threats because of the information he uncovered and that he had only very reluctantly returned to Iraq from Jordan to meet with U.S. officials. He was nervous to meet with us and insisted on holding the meeting at the Embassy rather than in a public place. Hassan brought with him two large folders of documents that he said provided proof of fraudulent transactions involving procurement for the Public Distribution System (PDS) and the complicity of high-ranking Iraqi officials.

13. (S) Hassan detailed the various schemes by which the Ministry of Trade imports substandard goods for the PDS. He said most of Iraq's tea comes from Iran after being smuggled through Kurdistan where the labels are switched out to suggest the tea had come from India. The tea is then sold to the Ministry of Trade through Iraqi front companies, which pocket the difference between the contract price and the purchase price of the substandard product. Hassan said government tests of the tea distributed under the PDS verified that the tea came from Iran and that it was below the standards called for under contract in terms of taste, color, and aroma.

14. (S) Hassan said shipments of wheat, which were contracted at USD 220 per ton, actually only cost the buyers USD 65 per ton. Each shipload of wheat, carrying roughly 50,000 tons, thus led to kickbacks of USD 7-8 million. In other transactions, the quantity of wheat ultimately delivered fell far short of that paid for under contract. In one example, he said his office had uncovered a contract for the delivery

of 1.1 million tons of wheat that had been delivered with a recorded shortfall of 884,000 tons. Hassan showed us digital pictures of the substandard quality of wheat (congealed in columns of rot) and rice (collected in the unlined holds of rusty ships more than 10 years past their prime and filled with what appeared to be scrap metal). Hassan noted that with the exception of wheat contracts which use letters of credit, deals for other commodities purchased by the ministry were all done with cash, thus enabling fraudulent transactions.

#### ACCUSES DEPUTY IG AND MINISTER

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15. (S) Hassan accused Sabah Aboud, the Deputy Inspector General at the Ministry of Trade, of being the ringleader of the fraudulent wheat deals. According to Hassan, Sabah had been the Director General in charge of wheat imports at the ministry until Hassan's investigation into questionable wheat imports had prompted his dismissal in June 2007. Eight days later, Minister Sudani reinstated Sabah as the Deputy IG. Hassan uncovered further evidence of Sabah's involvement in wheat kickbacks but claims he was further rebuffed when he presented this information to the minister. Two weeks ago, Sabah took over Hassan's position as DG for Financial and Commercial Affairs, all the while remaining as Deputy IG and maintaining de facto responsibility within the ministry for wheat imports.

16. (S) Hassan claimed to have proof of Trade Minister Sudani's involvement in fraudulent deals. Hassan said that he had briefed the results of his investigations to Sudani,

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whose response was "why should we dig old graves?" He said he had documentation outlining Sudani's personal kickbacks in one USD 14 million tea deal in January 2008. He said other documents showed that all Iraqi wheat contracts contained the signature of the minister, Sabah, or one clerk who worked for them. In addition, he claimed to have a letter dated July 22, 2007 from National Security Adviser Mowaffaq Rubaie to the Prime Minister uncovering a USD 50 million scam involving 170,000 tons of Iranian wheat. Another letter dated July 30, 2007 from Minister Sudani claimed that Iraq had never imported any wheat from Iran.

#### NO FAITH IN IRAQI ANTI-CORRUPTION INSTITUTIONS

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17. (S) Hassan stressed that the reason he had come to us was because of the lack of faith he had in Iraq's anti-corruption agencies. After being rebuffed by the Trade Minister, he had approached a member of parliament, Ali al-Sajri. In July, Sajri and Hassan jointly approached Embassy Amman, which helped coordinate our meeting with Hassan. Hassan and al-Sajri described to Embassy Amman threats to Hassan and his family, as well as offers of bribes, to encourage him to drop the matter. They indicated a total lack of confidence in the Iraqi government to either investigate the matter or to protect Hassan and were reluctant even to discuss the idea of returning to Iraq. Hassan told ACCO he wrote to the Prime Minister and met with Ali al-Basri in the Prime Minister's office in early September, who reportedly told him that he could not promise anything would be done. We asked Hassan if he would be willing to approach the Commission of Integrity with his information. Hassan replied that he did not trust any Iraqi institutions and that he feared for his personal safety in doing so.

#### COMMENT AND NEXT STEPS

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18. (S) Hassan's reluctance to bring his case to the Commission of Integrity is not surprising following the poor reception he has faced in presenting his allegations within his own ministry (to an allegedly corrupt Deputy IG and

Minister) and to the Prime Minister's office. ACCO is coordinating with the FBI Major Crimes Task Force (MCTF), which intends to reach out to Hassan and review his documentation to see whether a criminal case can be made. If Hassan's allegations are true, it reveals another troubling case -- besides that in the Ministry of Health, reported reftel -- of staff in an Inspector General's office who are charged with promoting transparent practices being among the worst perpetrators of corrupt acts. Even if Hassan's allegations are not warranted, which we will not be able to fully assess until the MCTF has had a chance to follow up and review his documentation, the case reveals a troubling reluctance by Iraqi whistleblowers to use GoI institutions such as the Commission of Integrity to voice their concerns.

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